

Message Text

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FM SECSTATE WASHDC

TO USDEL SECRETARY IMMEDIATE

C O N F I D E N T I A L STATE 103832 TOSEC 110348

EXDIS FOR SCHAUFLE FROM SEELYE

E.O. 11652: XDS-3

TAGS: PFOR, OVIP (KISSINGER, HENRY A), PARM, TECH, SF

SUBJECT: PROPOSED US-DUTCH-SWISS NUCLEAR SALE TO SOUTH AFRICA

REF: HAVERKAMP-SCHAUFLE MEMO OF APRIL 22

SUMMARY

1. GE OFFICIALS HAVE CONFIRMED WITH DEPARTMENT OFFICIALS THAT GE/DUTCH/SWISS CONSORTIUM HAS RECEIVED LETTER OF INTENT FROM ELECTRICITY SUPPLY COMMISSION OF SOUTH AFRICA (ESCOM) FOR CONSTRUCTION OF NUCLEAR POWER STATION AT KOEBERG, SOUTH AFRICA. LETTER OF INTENT INCLUDES CONDITION THAT GE MUST RECEIVE LICENSE FROM U.S. NUCLEAR REGULATORY COMMISSION (NRC) BY MAY 21 PERMITTING EXPORT FROM US OF NECESSARY EQUIPMENT AND FUEL FOR KOEBERG PROJECT. IN ORDER TO AVOID RISK OF POSSIBLE EMBARRASSMENT TO SECRETARY DURING HIS TRIP, WE ASKED GE TO WITHHOLD

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PUBLICIZING RECEIPT OF LETTER OF INTENT AND TO DELAY SUB-

MISSION EXPORT LICENSE APPLICATION. UP TO NOW COMPANY HAS FULLY AND VOLUNTARILY COMPLIED. HOWEVER, ONCE REQUEST FOR LICENSE IS SUBMITTED TO NRC, IT IS PLACED IN PUBLIC READING ROOM AND IS PRINTED IN FEDERAL REGISTER. WE ARE

THEREFORE URGING GE TO CONTINUE DELAYING SUBMISSION OF REQUEST TO NRC AT LEAST UNTIL SEVERAL DAYS AFTER SECRETARY RETURNS TO US. WHILE COMPANY REPRESENTATIVES WISH TO BE AS FORTHCOMING AS POSSIBLE, THEY ARE SERIOUSLY CONCERNED THAT DELAYS BEYOND DATE WHICH MIGHT ALLOW COMPLIANCE WITH ESCOM DEADLINE WOULD APPEAR TO ESCOM AS ACT OF BAD FAITH BY GE AND COULD WELL COST GE AND ITS PARTNERS THE CONTRACT WHICH THEY HAVE BEEN COMPETING FOR FOR MORE THAN A YEAR AGAINST VERY STIFF FRENCH AND GERMAN COMPETITION. GE, THEREFORE BELIEVES THEY MUST SUBMIT REQUEST TO NRC ON MAY 3, IN THIS CASE, REQUEST WOULD APPEAR IN FEDERAL REGISTER ON MAY 6 AND WOULD VERY LIKELY BE PICKED UP AND PUBLICIZED BY SOME INTERESTED INDIVIDUAL OR GROUP. WE COULD, OF COURSE, PRESS GE TO TRY TO DELAY FURTHER SUBMISSION OF REQUEST IF POSSIBLE PUBLICITY ON OR ABOUT MAY 6 WOULD POSE SERIOUS PROBLEMS FOR SECRETARY; HOWEVER, GE REPRESENTATIVE FEELS STRONGLY THAT MAY 3 IS AS LONG AS COMPANY CAN REALISTICALLY DELAY IF IT HOPES TO KEEP CONTRACT WHICH AMOUNTS TO \$250 MILLION FOR GE ALONE.

END SUMMARY

2. SUBSEQUENT TO INFORMATION PROVIDED IN REF MEMO, GENERAL ELECTRIC COMPANY REPRESENTATIVES, IN MEETING WITH DEPARTMENT OFFICERS, INFORMED US THAT GE/SWISS/DUTCH CONSORTIUM HAS RECEIVED LETTER OF INTENT DATED APRIL 21 FROM ESCOM FOR CONSTRUCTION OF NUCLEAR POWER STATION AT KOEBERG. (GE PARTICIPATION IN PROJECT WILL PROBABLY RESULT IN U.S. SALES OF ABOUT \$250 MILLION.) HOWEVER, LETTER OF INTENT ALSO SPECIFIED THAT GE MUST RECEIVE LICENSE FROM NRC BY MAY 21; OTHERWISE ESCOM WOULD PRESUMABLY BE FREE TO AWARD CONTRACT TO COMPETING CONSORTIUM LED BY WEST GERMAN FIRM KRAFT WERKE UNION. SINCE KRAFT WERKE UNION BID EXPIRES MAY 31, ESCOM OFFI-CONFIDENTIAL

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CIALS APPARENTLY WISH TO BE ABLE TO USE THIS COMPETING BID AS SECOND OPTION IN CASE APPLICATION FOR US LICENSE APPEARS TO BE RUNNING INTO SERIOUS PROBLEMS. (PRICE QUOTATION ON BID BY GERMAN-LED CONSORTIUM WOULD REPORTEDLY BE INCREASED IF BID ALLOWED TO EXPIRE.) DEPARTMENT OFFICIALS BELIEVE THAT MAY 21 DEADLINE IS UN-REALISTIC AND SO INFORMED GE REPRESENTATIVES. LICENSING PROCEDURES, ESPECIALLY IF PUBLIC HEARINGS ARE REQUESTED,

CAN TAKE CONSIDERABLY LONGER THAN 30 DAYS. AFTER APPLICATION FOR LICENSE IS PUBLISHED IN FEDERAL REGISTER, INTERESTED INDIVIDUALS OR GROUPS HAVE 15 DAYS TO COMMENT OR REQUEST HEARINGS, AND REQUEST FOR HEARINGS ON THIS PARTICULAR LICENSE IS DISTINCT POSSIBILITY. DEPARTMENT

OFFICERS STRESSED TO GE OFFICIALS THAT ANY EFFORT TO GRANT UNUSUAL OR SPECIAL TREATMENT TO THIS REQUEST VERY LIKELY TO BE COUNTER PRODUCTIVE SINCE IT COULD WELL APPEAR THAT WE WERE GOING OUT OF OUR WAY TO FAVOR SOUTH AFRICA.

3. GE OFFICIALS ARE AWARE THAT NRC LICENSING PROCEDURES ARE LIKELY TO TAKE CONSIDERABLY LONGER THAN 30 DAYS, BUT THEY BELIEVE THAT GE MUST APPEAR TO ESCOM TO HAVE MADE EVERY REASONABLE EFFORT TO COMPLY WITH MAY 21 DEADLINE IN ORDER TO HAVE ANY HOPE OF OBTAINING AN EXTENSION OF IT. GE OFFICIALS NOTED THAT THEY HAD COOPERATED FULLY WITH DEPARTMENT IN VOLUNTARILY DELAYING SUBMISSION OF APPLICATION AND IN AVOIDING PREMATURE PUBLICATION. HOWEVER, GE REPRESENTATIVE NOTED THAT ANY DELAY BEYOND MAY 3 SUBMISSION AND MAY 6 PUBLICATION IN FEDERAL REGISTER WOULD NOT EVEN ALLOW FOR MANDATORY 15-DAY PERIOD FOR PUBLIC COMMENTS BEFORE MAY 21 DEADLINE ARRIVED. (REASON IS THAT FEDERAL REGISTER IS PUBLISHED ONLY TWICE A WEEK, NEXT PUBLICATION DATE AFTER MAY 6 WOULD BE MAY 11.) ESCOM, GE REPRESENTATIVES STATED, WOULD BE LIKELY TO INTERPRET SUCH A DEVELOPMENT AS EVIDENCE THAT GE HAS NOT DONE EVERYTHING POSSIBLE TO SECURE LICENSE WITHIN TIME PROVIDED. WEST GERMAN COMPETITOR, GE BELIEVES, WOULD ALSO BE LIKELY TO ENCOURAGE ESCOM TO WITHDRAW LETTER OF INTENT FROM GE AND ITS PARTNERS IF MAY 21 DEADLINE IS NOT MET. IN ANY EVENT, GE BELIEVES LEAKS FROM COMPETITORS CONFIDENTIAL

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OR OTHER SOURCES ARE LIKELY TO OCCUR ANY DAY NOW AND THIS LIKELIHOOD TOO MAKES FURTHER DELAY IN SUBMITTING APPLICATION TO NRC LESS MEANINGFUL. GE REPRESENTATIVES NOTED THAT THEY ALREADY HAD MADE EVERY EFFORT TO CONVINCE ESCOM THAT 30-DAY TIME FRAME WAS NOT REALISTIC, BUT ESCOM HAD REMAINED ADAMANT AND UNYIELDING.

4. WHEN ASKED IF THEY COULD WITHHOLD SUBMISSION OF REQUEST TO NRC AT LEAST UNTIL SOMETIME DURING FIRST TWO WEEKS AFTER SECRETARY'S RETURN, GE REPRESENTATIVES REPLIED THAT THEY THOUGHT SUCH A DELAY WOULD COST THEM THE CONTRACT.

5. WE ARE NOT AWARE EITHER FROM CONTENTS OF LUSAKA SPEECH OR FROM ANY HIGH LEVEL CONVERSATIONS HELD DURING

SECRETARY'S TRIP OF ANY CONSIDERATIONS WHICH WOULD
JUSTIFY DEPARTMENT URGING GE TO DELAY FURTHER ITS LICENSE
APPLICATION TO NUCLEAR REGULATORY COMMISSION. WE BELIEVE
COMPANY IS GENUINELY CONCERNED THAT THIS SUBSTANTIAL
CONTRACT COULD BE JEOPARDIZED IF IT DELAYS LICENSE APPLI-
CATION BEYOND MAY 3. WE WOULD THEREFORE APPRECIATE YOUR
COMMENTS. IN MEANTIME, WE HAVE PREPARED AND ARE SUBMITTING
BY SEPTEL PRESS GUIDANCE FOR YOUR REVIEW AND POSSIBLE

USE ON CONTINGENCY BASIS IN EVENT SECRETARY'S PARTY OR
DEPARTMENT ARE QUERIED RE TRANSACTION. APPROVED PRESS
GUIDANCE WOULD ALSO BE TRANSMITTED TO INTERESTED AF POSTS
FOR THEIR USE IF QUERIED BY HOST GOVERNMENTS OR LOCAL
PRESS ON SUBJECT. VIEW IMPORTANCE OF TRANSACTION AND
GENERAL AWARENESS IN INDUSTRIAL CIRCLES OF COMPETITION
FOR CONTRACT, WE WOULD EXPECT WORD REGARDING GE'S SUCCESS
TO SEEP OUT VERY SHORTLY. SISCO

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